

FIGURES | WEST PALM BEACH OFFICE | Q4 2022

# Overall fundamentals remain positive, but growth is slowing

▼ 12.7%

Total Vacancy Rate

▼ 257,000

SF Quarterly Net Absorption

▲ 614,000

SF Construction

▲ \$30.97

NNN / Lease Rate

Note: Arrows indicate change from previous year.

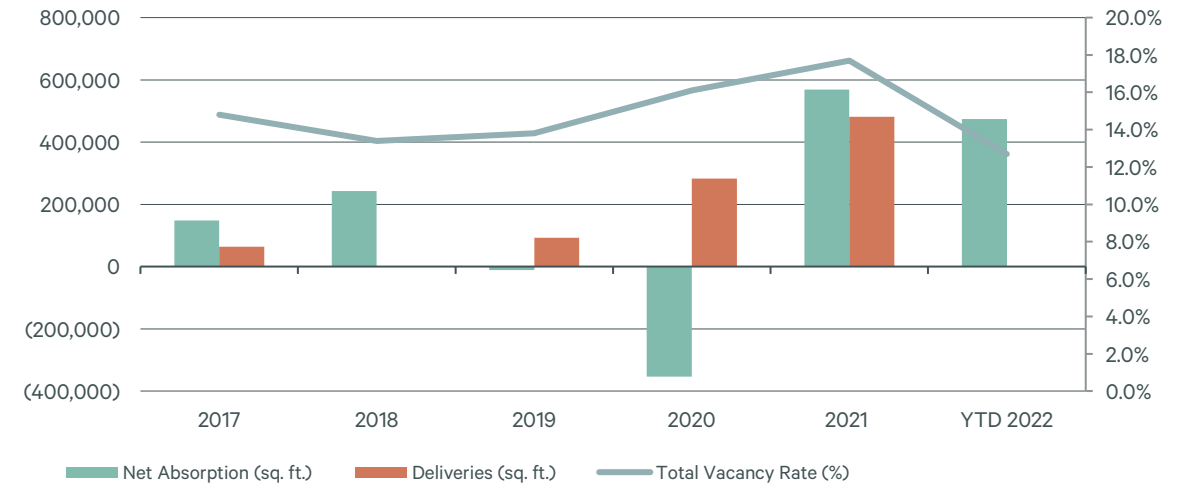
## OVERVIEW

- Leasing activity slowed in the fourth quarter; however, this follows a strong first three quarters and 2022 is still fairly in line with 2021 levels.
- Sublease availability reached 3.5% this quarter; a record high in the county.
- Rent growth appears more muted than reality as quality spaces continue to lease up and make up a smaller share of the market's availability.

Growth in the last quarter of the year continued at a slower pace in Palm Beach County after back-to-back record-breaking quarters. The appearance of a slowing of growth in North County is partially a result of the lease up a quality space. North County saw 368,700 square feet of Class A absorption in 2022; far outpacing the historical strongest year on record. In the CBD direct trophy vacancy sits at 5.2% and the new Trophy developments that are under-construction aren't expected to be completed in the near-term. One Flagler is the farthest along and isn't expected to deliver until late 2024. Comparably, South County has had pressure in the form of sublease space, which hit a record high this quarter with numerous large blocks coming online.

Even amidst the varied pressure, rents have increased 7.8% to \$30.97 compared with this time last year and vacant has fallen 200 basis points to 12.7%. And, direct absorption for the year was the second highest year on record at 574,300 square feet; only behind 2021 which had 638,500 square feet. The market remains one of the strongest in the country as fundamentals, except for sublease space all remain positive.

FIGURE 1: Historical Absorption, Deliveries and Vacancy



Source: CBRE.com

## DEMAND

Broker sentiment is that activity has slowed, slightly, in the fourth quarter of 2022. This can be validated by market fundamentals as there was just 329,800 square feet of leasing in the fourth quarter. Interestingly, when we look at the year as a whole leasing is in line with 2021 as the first three quarters of 2022 saw very strong leasing activity. Total leasing in 2022 was 2.3 million square feet compared with 2.4 million square feet in 2021.

## SUBLEASE

Sublease space ticket up considerably this quarter as several new spaces hit the market. Per the [December 2022 sublease report](#) there were 10 sublease spaces listed over 25,000 square feet and half of them were listed this quarter. Sublease availability reached 3.5% this quarter; a record high in the county. South County saw the largest uptick in sublease space where availability jumped up 210 basis points quarter-over-quarter to 4.7%.

## PRICING

At year-end 2022 rent growth continues to be a major story in the market. South County asking rents are up 12.4% (\$3.24 per square foot) since year-end 2021 TO \$29.42 per square foot. Comparably, North County asking rents are up 2.0% (0.65 per square foot) since year-end 2021 to \$33.20 per square foot. The seemingly lack of meaningful rent growth is a result of the lease up of quality space. Today just 36.3% of availability in North County is Class A space, compared with 52.2% in Q4 2021.

## INVESTMENT

This year numerous buildings traded in the county. Most notably, Macquarie purchased The Boca Centre Office Park for \$262 million. However, over the last few months activity has slowed down as interest rates continue to rise.

Interestingly, development in Palm Beach County remains very strong. There are three buildings currently under construction totaling 614,000 square feet; all of which are in the CBD. Additionally, there are suburban developments which continue plans for future developments such as Sundy Village in Delray (expected to break ground in early 2023).

FIGURE 2: Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	723,700	8.3%	9.2%	22,600	56,700	-	\$ 23.91
East Boca	2,318,100	11.7%	15.0%	18,200	(29,700)	-	\$ 27.02
North Boca	5,232,100	11.3%	13.6%	(32,000)	(7,300)	-	\$ 25.66
West Boca	3,137,100	10.6%	10.9%	1,200	14,400	-	\$ 37.17
<b>South County Total</b>	<b>11,410,900</b>	<b>11.0%</b>	<b>12.9%</b>	<b>10,000</b>	<b>34,200</b>	<b>-</b>	<b>\$ 29.42</b>
Jupiter	510,200	12.8%	12.8%	-	-	-	\$ 19.93
Palm Beach	564,700	6.0%	8.7%	4,500	16,000	-	\$ 44.47
Palm Beach Gardens	2,488,600	11.7%	12.9%	24,900	29,300	-	\$ 32.28
Suburban West Palm Beach	2,280,100	14.8%	15.5%	38,100	69,800	-	\$ 22.74
West Palm Beach CBD	3,270,600	9.4%	10.5%	179,500	325,000	614,000	\$ 47.93
<b>North County Total</b>	<b>9,114,100</b>	<b>11.3%</b>	<b>12.4%</b>	<b>246,900</b>	<b>440,100</b>	<b>614,000</b>	<b>\$ 33.20</b>
<b>Total</b>	<b>20,525,100</b>	<b>11.1%</b>	<b>12.7%</b>	<b>257,000</b>	<b>474,400</b>	<b>-</b>	<b>\$ 30.97</b>

FIGURE 3: Class A West Palm Beach CBD Statistical Snapshot

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q4 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Trophy*	1,205,100	5.2%	7.7%	153,300	297,400	614,000	\$ 68.45
Class A	1,030,400	15.7%	16.1%	28,800	23,600	-	\$ 45.51
<b>Total</b>	<b>2,235,500</b>	<b>10.1%</b>	<b>11.5%</b>	<b>182,100</b>	<b>321,000</b>	<b>614,000</b>	<b>\$ 53.50</b>

**Note:** All spaces at 360 Rosemary have been marked as fully occupied as of Q4 2022.

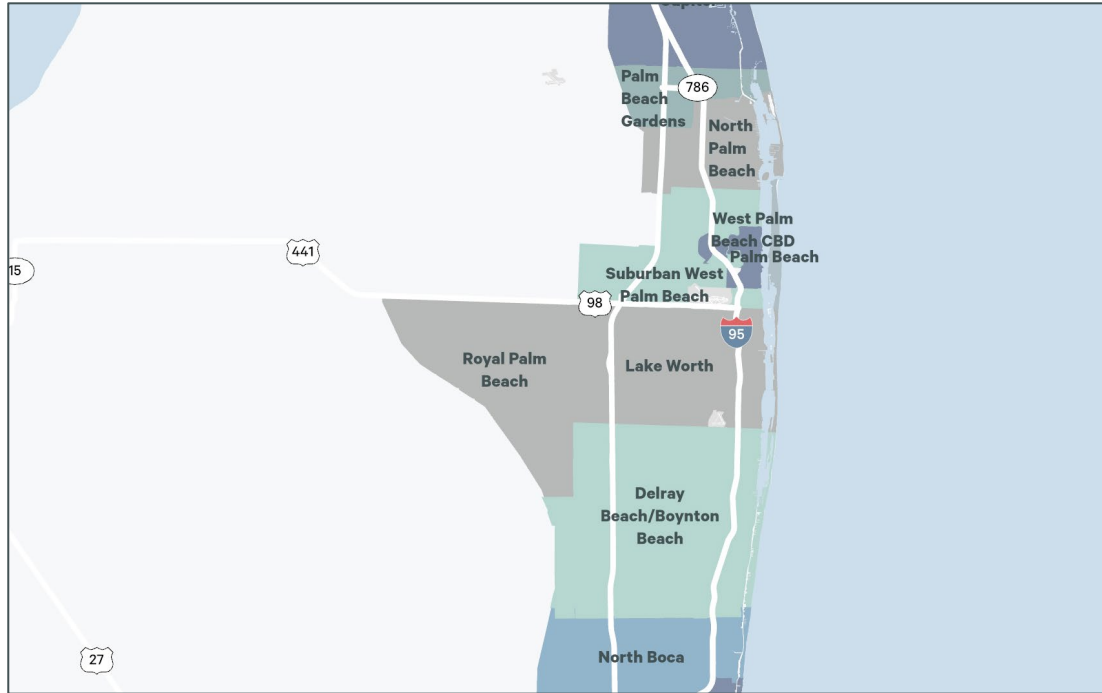
FIGURE 4: Class A

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	90,700	12.0%	12.0%	33,600	33,600	-	\$ 45.00
East Boca	1,454,000	12.6%	16.1%	100	(12,000)	-	\$ 27.46
North Boca	2,361,600	13.5%	13.9%	(20,800)	68,400	-	\$ 26.04
West Boca	2,029,200	13.3%	13.9%	6,100	7,700	-	\$ 39.42
<b>South County Total</b>	<b>5,935,600</b>	<b>13.2%</b>	<b>14.4%</b>	<b>18,900</b>	<b>97,600</b>	<b>-</b>	<b>\$ 31.11</b>
Jupiter	95,500	12.8%	12.8%	-	-	-	\$ 28.00
Palm Beach	126,000	2.6%	2.6%	4,500	7,600	-	\$ 70.67
Palm Beach Gardens	1,481,400	11.6%	12.0%	23,800	38,800	-	\$ 36.50
Suburban West Palm Beach	328,800	18.5%	18.5%	2,700	1,300	-	\$ 25.69
West Palm Beach CBD	2,235,500	10.1%	11.5%	182,100	321,000	614,000	\$ 53.50
<b>North County Total</b>	<b>4,267,300</b>	<b>11.1%</b>	<b>12.0%</b>	<b>213,000</b>	<b>368,700</b>	<b>614,000</b>	<b>\$ 43.65</b>
<b>Total</b>	<b>10,202,800</b>	<b>12.3%</b>	<b>13.4%</b>	<b>231,900</b>	<b>466,200</b>	<b>614,000</b>	<b>\$ 35.10</b>

FIGURE 5: Class B

Submarket	Total Inventory (Sq. Ft.)	Direct Vacancy (%)	Total Vacancy (%)	Q3 2022 Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg. Asking Lease Rate (\$/NNN)
Delray Beach/ Boynton Beach	633,000	7.8%	8.8%	(10,900)	23,200	-	\$ 16.63
East Boca	864,100	10.1%	13.0%	18,200	(17,600)	-	\$ 26.19
North Boca	2,870,500	9.4%	13.3%	(11,200)	(75,600)	-	\$ 24.84
West Boca	1,107,800	5.5%	5.5%	(4,900)	6,700	-	\$ 28.97
<b>South County Total</b>	<b>5,475,400</b>	<b>8.6%</b>	<b>11.2%</b>	<b>(8,800)</b>	<b>(63,400)</b>	<b>-</b>	<b>\$ 25.57</b>
Jupiter	414,600	12.8%	12.8%	-	-	-	\$ 17.71
Palm Beach	438,700	6.9%	10.4%	-	8,400	-	\$ 41.60
Palm Beach Gardens	1,007,200	11.8%	14.2%	1,200	(9,500)	-	\$ 23.68
Suburban West Palm Beach	1,951,300	14.2%	15.0%	35,400	68,500	-	\$ 22.19
West Palm Beach CBD	1,035,100	7.9%	8.3%	(2,600)	4,000	-	\$ 30.34
<b>North County Total</b>	<b>4,846,900</b>	<b>11.6%</b>	<b>12.8%</b>	<b>33,900</b>	<b>71,500</b>	<b>-</b>	<b>\$ 23.99</b>
<b>Total</b>	<b>10,322,200</b>	<b>10.0%</b>	<b>11.9%</b>	<b>25,100</b>	<b>8,100</b>	<b>-</b>	<b>\$ 24.71</b>

## Market Area Overview



## ECONOMIC OUTLOOK

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.

## Contact

### David J. Bateman

Managing Director  
+1 954 331 1722  
david.bateman@cbre.com

### Marc L. Miller

Associate Field Research Director  
+1 305 381 6428  
marc.miller1@cbre.com

### Ilyssa Ettelman

Research Manager  
+1 954 331 1797  
Ilyssa.ettelman@cbre.com

**Survey Criteria:** Includes all competitive Class A and Class B office buildings 30,000 sq. ft. and greater in size in Palm Beach County. Beginning Q1 2022, single tenant non-owner-occupied buildings have been added to the set and their inclusion is reflected historically in the data. Excludes: government and medical buildings..